

NATIONAL REAL ESTATE and BUILDING JOURNAL



Authors:

Philip McCarthy ♦

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Problems — *page 22*

Arthur Storm ♦

11 Pointers for Successful
Selling — *page 27*

Robert Semenow ♦

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page 30

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be in Writing? — *page 32*

NOVEMBER

1955



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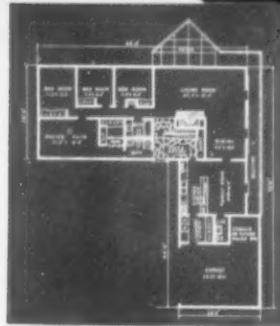
Your Bell telephone company will be glad to help you work out economical conduit installations.

Just call your nearest business office. For details on home telephone wiring, see Sweet's Light Construction File, 8i/Be. For commercial installations, Sweet's Architectural File, 31a/Be.

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THE MAGAZINE OF HOME MERCHANTISING

VOLUME FIFTY SIX • NUMBER ELEVEN • NOVEMBER • NINETEEN FIFTY FIVE

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PREVIEWS OF COMING ISSUES

December will feature a complete rundown on all the important meetings, speeches and sessions of the NAREB convention. . . Also coming up are articles on organizing worthwhile sales meetings, getting tenants for your shopping center (by a group of Urban Land Institute experts) . . . Plus a New England Realtor's tips on improving your office procedure.



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National Introduces Southwestern Models

11-1

The "La Marque" is one of National Homes' "Custom-Line" models introduced at its plant opening in Tyler, Texas, last month. This line has 38 basic plans and the lower cost "Pacemaker" line has 15. The "Ridgewood", a larger Custom-Line model, was shown in the October JOURNAL, page 46. Several elevations and optional features for each basic plan make dozens of variations available. The La Marque has an unusually spacious (8' x 30') den-kitchen, open to the living room, and a central hallway with convenient access to all three bedrooms and bath. Predominant feature of the Ridgewood and four similar models is a "T" plan, the stem being a large family room in clear view of an island kitchen. The \$1.5 million, 90-houses-a-day Tyler plant will boost National's three-plant capacity to 290 a day. The Tyler models are styled for the Southwest by Sidney Milam and John Ropper, Dallas architects, working with Charles Goodman, AIA, National's design consultant. They are color styled by Beatrice West, National's color consultant.

Thermador Built-in Electric Oven

11-2

The Thermador Masterpiece Built-in electric oven is the result of several years of design and market research. Features of the "Masterpiece," according to the manufacturer, Thermador Electric Manufacturing Company, include large oven capacity, amazing new baking element, recessed 3,000-watt broiling element, cool ventilated door, "easy-vision" control panel, three indicator lights to tell at a glance the operation of the oven, non-tilt oven racks and an automatically controlled oven light. The Thermador "Masterpiece" oven fits easily into a standard 24" wide cabinet.

New Porcelain-on-Aluminum Tile

11-3

The Vikon Tile Corporation is bringing out a new line of metal tile — Porcelain-on-Aluminum — the gleaming beauty and jewel-like color of a real ceramic coating fired to an aluminum base. Porcelain-on-Aluminum Tile has a beautiful surface-finish, glass-hard, and cleans fast and easily. The manufacturer says it is highly resistant to chemicals, unaffected by cleaning agents, and free of fire-hazard. It is amazingly light weight — the tile and mastic together weigh less than 18 ounces per square foot. According to the manufacturer, it is easy to install, can be cut and bent to fit, and it will not chip or craze.

"Built-in" Features for Every Room

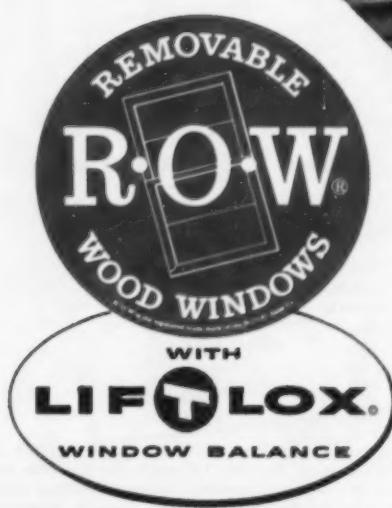
11-4

Over the past three years, the Marion H. Davis Company has been successful in inducing several outstanding furniture manufacturers to produce "built-in" units for every room in the home. They

(Please turn to page 12)

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NATIONAL REAL ESTATE AND BUILDING JOURNAL — November, 1955

THE JOURNAL REPORTS

Standard and Poor's current industry survey on building shows a slight decrease in the number of housing starts during the first few months of 1956, as compared with the high number of starts for the same period this year. Indicating certain sensitive spots — such as the size of the mortgage debt, the low rate of construction of rental housing — the report views the overall housing picture without serious concern.

Philadelphia Realtor-appraiser Philip W. Kniskern has been appointed to make a "comprehensive review and evaluation of land disposition procedures and policies" in connection with the Urban Renewal Administration slum clearance and urban renewal program. Kniskern will study problems involved in disposing of cleared land to builders for redevelopment.

"If at any time in the next few months housing starts fall below an annually adjusted rate of 1.2 million new units, certainly we may expect the Administration to speedily ease credit," says Norman Strunk, executive vice president of the United States Savings and Loan League. "Just as we had to shift from an easy to a hard money policy this year, so we may have a switch back to easier money by earlier next year."

C. Armel Nutter, Camden, New Jersey head of Nutter Mortgage Service and NAREB treasurer, says that restrictions on 'mortgage warehousing' are contributing to the tightening of credit for home purchase. Nutter says banks are shortening the terms of loans, increasing the interest rates, and being more selective in the mortgage warehousing activities. Nutter believes that "warehousing has been a wonderful tool in the placing of mortgages and the leveling out of peaks and valleys of mortgage lending."

"Our own era of healthy economic growth is not a runaway boom or the reaction to economic benzedrine," according to Henry G. Waltemade, NAREB president, speaking before the California Real Estate Association. Restricting credit terms "will undoubtedly make home ownership just difficult enough for any families



NAHB's National Housing Center in Washington opened October 3. Containing five floors of exhibits of building materials, supplies and equipment, the Center also has a completely equipped library, modern press room, auditorium, and new product section. Top two floors are offices of NAHB. Center is located at 1625 L Street, N.W.

of low and moderate income to remove them from the market," Waltemade said. "That is what it was for," he continued, "and it is reason enough for serious objection to the move."

The Department of Commerce, reporting on vacancy rates during the second quarter of this year, — a national rate of 2.3% — says that vacancies outside the metropolitan areas have increased more rapidly than within those areas. The largest urban areas have a vacancy of 1.4%, considerably below the national average.

New mortgage loans during 1955 will total \$12 billion, despite the tightening of credit, raising housing mortgages outstanding to \$88 billion, or about double the amount outstanding in 1950. So says E. H. Boeckh and Associates in its current report on building costs. Costs during August showed a much slighter increase than during recent months. But the report expects that "this stability in prices is likely to be only temporary." Many new wage rates are expected to go in force in accordance with contracts negotiated several months past. These allowed for December or January increases.

Harlow H. Curtice, General Motors president, says home builders "may well be called upon to build as many as two million homes a year by 1970." We really don't think any builders will particularly object to the added effort.

HOUSING STARTS — PUBLIC AND PRIVATE

(Underlined figures indicate record for that period)

	1950	1951	1952	1953	1954	1955
Jan.	78.7	85.9	64.9	72.1	66.4	88.0
Feb.	82.9	80.6	77.7	79.2	75.2	90.0
Mar.	117.3	93.8	103.9	105.8	95.2	117.0
Apr.	133.4	96.2	106.2	111.4	107.7	127.0
May	149.1	101.0	109.6	108.3	108.5	132.0
June	144.3	132.5	103.5	104.6	116.5	129.0
July	144.4	90.5	102.6	96.7	116.0	115.0
Aug.	141.9	89.1	99.1	93.2	114.3	123.0
Sept.	120.6	96.4	100.8	95.1	115.7	113.0
Oct.	102.5	90.0	101.1	90.1	110.7	—
Nov.	87.3	74.5	86.1	81.5	103.6	—
Dec.	93.6	60.8	71.5	65.8	90.6	—
Yearly						
Totals	1,396	1,091	1,127	1,103	1,220	—
First 9 Months	1,113	865	868	866	916	1,047
Seasonally adjusted annual rate (private only), first 9 months of 1955:						
January	1,424,000					
February	1,381,000					
March	1,407,000					
April	1,419,000					
May	1,306,000					
June	1,320,000					
July	1,202,000					
August	1,304,000					
September	1,230,000					

Housing starts declined more than seasonally in September to 113,000, an 8% decline from August. Although the decrease was general throughout the country, smaller, non-metropolitan areas continued construction at the August pace. Tighter financing in the metropolitan areas is believed to be the main cause behind the decline. The nine-month period of 1955, however, is still exceeded only by the same period of the 1950 record year.



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Guide To NEW PRODUCTS & ADVERTISERS

Use the Handy Inquiry Form below for more information on new materials and advertised products.

How to use this Guide: The number to the left of a manufacturer's name is duplicated on the Inquiry Form. Mark the numbers on the Form about which you want more information at no cost or obligation. Cut out Inquiry Form and mail today.

NEW PRODUCTS

- 11-1 National Homes Corporation
— National Introduces Southwestern Models
- 11-2 Thermador Electric Manufacturing Company
— Thermador Built-in Electric Oven
- 11-3 Vikon Tile Corporation
— New Porcelain-on-Aluminum Tile
- 11-4 Marion H. Davis Company
— "Built-in" Features for Every Room
- 11-5 Thomson Hardware Company
— Universal Window Roto-Operator
- 11-6 Security Sash and Screen Company
— Aluminum Combination Storm Door
- 11-7 New York Legal Exchange, Inc.
— Lists of Mortgage Money Sources
- 11-8 Dixie Products, Inc.
— New 30-inch Gas Range
- 11-9 American Kitchens
— Universal Cabinets
- 11-10 O. A. Sutton Corporation
— Traveling Fan

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- 11-16 Douglas Fir Plywood Association 40
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Products Editor

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| 11-2 | 11-10 | 11-18 | 11-26 |
| 11-3 | 11-11 | 11-19 | 11-27 |
| 11-4 | 11-12 | 11-20 | 11-28 |
| 11-5 | 11-13 | 11-21 | 11-29 |
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| 11-8 | 11-16 | 11-24 | 11-32 |
| | | | 11-33 |

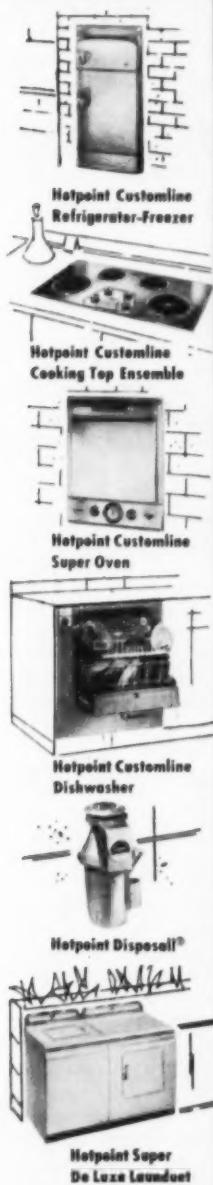
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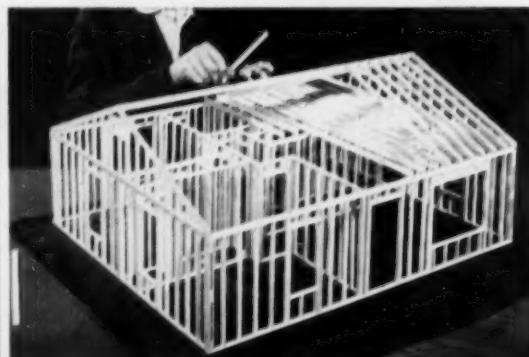
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Product Progress

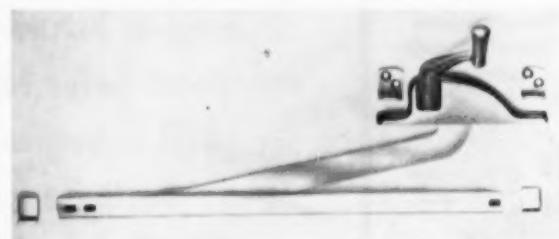
(Continued from page 6)

claim the "built-in" advantages are vital. Actually, they say, a home costs considerably less with "built-ins" than with regular construction. As a space saving development, it has no equal, which is extremely important today. "Built-in" fixtures do not become out of date with change of style or decor. "Built-in" fixtures and appliances require less care because there are fewer surfaces to keep clean. "Built-in" units are more versatile, functional, more convenient and organize the home to a new high in utility and efficiency. This all-purpose room shows "built-in" TV and record player. Record player is designed to hold 200 records, providing 24-hour continuous playing if desired. It is also equipped with push-button selector system.

Universal Window Roto-Operator

11-5

The Thomson Hardware Company introduces the window roto-operator designed to fit both wood and



metal casements. Secret of the new Thomson Safety-Lock Universal Roto-Operator is a device known as the "Magic Bracket." It possesses the safety-lock feature which prevents gaining entrance by forcing the casements open from the outside. Only the handle controls.

Aluminum Combination Storm Door

11-6

The Security Sash and Screen Company has announced a new aluminum combination storm door



as an addition to its line of aluminum windows, screens and prime aluminum casements. The door includes many new features, some of which are Z-bar installation for greater flexibility, stamped corner gussets for more impact strength in case of slamming or the door being blown open by wind and it is of rolled formed tubular construction. Of heavy gauge, durable, polished

aluminum, the door is available in all standard sizes

and in either self-storing or single light models. Not

only is it practical, but it will also add to the beauty

of any home, says the manufacturer.

Mortgage Sources Compiled
 11-7

New York Legal Exchange, Inc. has compiled lists of insurance companies and mutual savings banks as an aid to you when you're seeking out-of-town mortgage money sources, FHA, VA or conventional.

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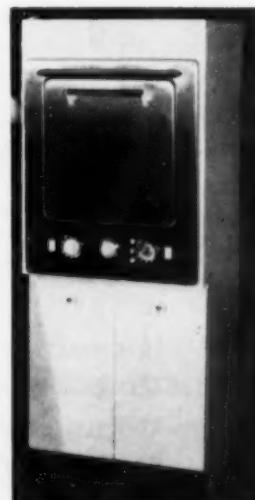
New 30-inch Gas Range



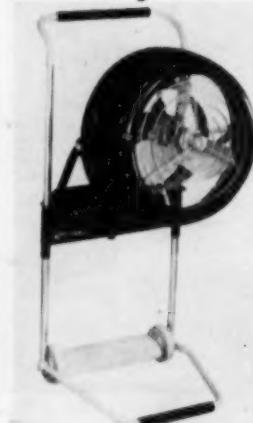
Introduction of a new compact 30-inch gas range has been announced by Dixie Products, Inc. It features a large, family-size cast aluminum top griddle located directly between the four top burners, full-width oven and broiler. The griddle, when not in use is covered with a hinged porcelain enameled cover to supply additional counter-top work space. The backguard, with enclosed full-width fluorescent light, is accented with easy-to-clean gold and chrome trim. Handles on both oven and broiler doors are chrome. This range is designed to be an attractive addition to any kitchen arrangement.

Universal Cabinets

A big step toward standardization in the built-in oven field is being made by American Kitchens Division of Avco Manufacturing Corporation. Recognizing the wide range of sizes among the many built-in ovens on the market today, American Kitchens introduces "universal" cabinets to accommodate gas and electric ovens. Both models will be offered in the white steel and the wood-copper-steel Pioneer lines. Wall cabinets will be available to stack on top of the "universal" cabinet, so the unit will match up with the rest of the kitchen.



A Traveling Fan



A new and different portable air circulator is the Travel-Air, a Vornado fan made by the O. A. Sutton Corporation. By placing the Travel-Air in front of any window it can be converted into an exhaust or intake fan. The fan head has incorporated turnabout feature and allows tilting into any desired position for air movement. Travel height on the stand is adjustable up or down over two foot length.

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Dwyer Kitchens

Four sizes . . . 39 to 69 inches wide. Gas or electric.

Enduring Quality Throughout . . . Refrigerator interiors are genuine vitreous porcelain on steel, never rust out and easy to keep fresh and clean. Work tops and fronts are porcelain. Never require repainting, dirt and grease wash off easily.

From hinge to tiny switch, every part of a Dwyer Kitchen has been designed and made for long, tough service.

For rarely needed service, every

mechanical part is accessible from the front . . . no need to disturb the kitchen assembly.

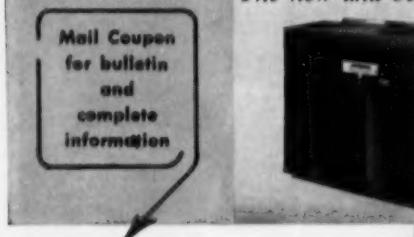
Made by Specialists . . . Dwyer Kitchens are engineered, manufactured in their entirety . . . and guaranteed by an organization which has specialized in compact kitchens for over a quarter century. They are easy to install . . . simple to service . . . last indefinitely.

Write for complete bulletins.

Dwyer Products Corporation Michigan City, Indiana

The new and beautiful **Dwyer "400"**

graces the room as a piece of smart furniture



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Address _____

Town _____ State _____

Dwyer Products Corporation
Dept. K118, Michigan City, Indiana



Cooking top, porcelain sink and counter top and storage space. Easy to install without costly remodeling. May be had without sink. Rich mahogany or blonde color. Ask for bulletin.

To the real estate dealer it may not be too much of a mystery as to how his taxable income is computed: he has taken in so many sales dollars, his real property had a cost of so much and the difference is his gross income, which he may report straight or on an installment basis. But his clients are usually not dealers. They are home owners and investors. To them real property transactions are dealings in capital assets, with the separate and different tax treatment that is accorded capital gains and losses.

Very often, before they buy from you, or let you handle a transaction for them, they will want to know the tax effects of that transaction. Should it be put through this way or that? What will the tax be under each alternative? Often a deal will hinge on the prompt and accurate working out of the answers to these important questions.

Assuming, then, that you are not a dealer, let's explore the question —

What Are Capital Assets?

Capital assets are usually what's held by an *investor* as distinguished from a *dealer*, and include stocks, bonds and other securities, land, buildings and other property. Of course, a dealer can also be an investor, the same as anyone else, and he should keep his investment property segregated and separately recorded from his inventory property, which he holds for sale to customers in the usual course of trade or business. Investments in undeveloped land are in the same category.

By contrast, your stock in trade is *not* a capital asset; nor are land or buildings subject to depreciation and used in trade or business which have been held for not more than six months. Sale of these results in *ordinary* gain or loss — gain fully taxable, loss fully deductible.

Losses Not Deductible

Your personal assets may be said to be in the capital assets category. This includes your residence, auto, furniture, jewelry. Profits are treated as capital gains but losses are *not* deductible unless you can show that you acquired the items (say antiques or jewelry) with the intent to make a profit on resale. Gain on sale of residence, of course, has its own

TAX FACTS

BY BERT V. TORNBOROUGH, CPA

Capital Gains Taxing Still Misunderstood

special rules as to how it may escape tax.

The length of time during which capital assets are held is a factor in fixing capital gain or loss, and the dividing line runs between assets held more or less than six months. The former are called "long term", the latter "short term". Make no mistake in counting the number of days held, as a single day may mean the difference between one category and the other.

The day the asset was acquired does not count. The following day is the first day of the holding period. The day of sale counts as the last day of the holding period, following rules for stock exchange transactions. This is true even though delivery and payment, in case of securities, may not be affected for several days after the actual transaction. In short, the minimum long term holding period is six months plus one day.

When does the holding period begin as to a newly constructed building for instance. It begins on the date construction work is completed, not when construction was started. On a gift after 1920 the holding period began when the property was acquired by the do-

nor (giver), except if you, the recipient, sell the gift at a loss and the property had a value less than cost at date of gift. In such a case the holding period began with the date of the gift.

Suppose a residence is converted to rental property, then sold? The holding period begins not on the date of conversion but the day after the original purchase.

Capital gains rules apply only in a transaction that classifies as a sale or exchange, which covers quite a variety. For example:

Conveyance of real property held for investment, as per the foregoing, represents a sale of said property; Payments received by lessee for cancellation of a business lease comes under this category and gives rise to capital gains; Debts paid by delivering property is a "sale or exchange"; Deed tendered to avoid mortgage foreclosure or for release on the bond, for a nominal payment, is a sale or exchange; Payment to secure release from an obligation to buy property is a capital loss.

Consider the sale of an individual business, a proprietorship. This is not an entity which is separate and apart from the assets of the business and a sale, therefore,

is in reality a number of sub-sales, so to speak, of various assets and the selling price needs to be apportioned to the various assets sold. The resultant gain or loss may be either capital or ordinary, if assets are held over six months, depending on the nature of the asset.

Capital Assets

Securities held as investment; Buildings and machinery; Land used in the business; Land not used in the business; Life insurance policy; Assignable liquor license; Nondepreciable franchises; Goodwill.

Not Capital Assets

Accounts receivable, customers; Stock in trade; Depreciable franchises; Abandonment of property is not a sale or exchange unless the property is deeded, even for nominal consideration. Building and loan association distributions on maturity of the installments are dividends. Mortgaging property is not a sale or exchange. Sale of top soil is ordinary income, but to offset you should claim depletion deduction for diminished value of the land.

Nelson to be Honored At NAREB Convention

HERBERT U. Nelson, Chicago, who retired as executive vice-president of the National Association of Real Estate Boards on September 1 after 33 years of service, will be honored at the 48th annual convention of NAREB at the Commodore Hotel in New York City, November 6 to 10.

Succeeded by Eugene P. Conser, former secretary of the California Real Estate Association, Nelson is now a consultant to NAREB.

During Nelson's term, the real estate industry developed into a specialized and highly respected calling. There were 413 real estate boards when Nelson assumed his post in September, 1922. Today there are about 1,200. Realtors totaled 16,000 then; more than 55,000 now. Thirteen states had real estate license laws in 1922; today 43 have them. In 1922, educational work in real estate was unknown, but today 126 colleges and universities include real estate

subjects in their curricula.

NAREB's professional institutes in brokerage, appraising, management, farm lands, industrial property, and mortgage financing, which now attract the interest and effort of 18,000 Realtors, are the spearheads of progress in the calling which he has helped develop.

As advisor to the federal government, he helped bring about the Federal Home Loan Bank System, the Federal Housing Administration, the Federal National Mortgage Association, and the great changes in mortgage financing through mortgage insurance. In short, he was largely responsible for the program under which thousands of families of modest income own their own homes who would not otherwise be able to do so.

Among the honors to be bestowed upon Nelson during the convention for his many services to the real estate industry will be the presentation of a gift fund with a scroll of the names of donors. Realtors throughout the country are now contributing to the fund, which is being raised by a voluntary committee of 200 Realtors under the chairmanship of Leon E. Todd, Camden, New Jersey.

America has homework to do!



THERE'S PROBABLY a lot about your town that makes you want to brag a bit about it.

But there's one thing you *can't* be proud of. And it's a shame you share with just about every other community in America.

The homes where far too many people live are a disgrace. Slums, semi-slums, housing blight are with you. Fixing them up is the homework to be done.

If your town is like most in the U. S., here's what the figures show: 1 out of every 10 homes are rock-bottom slums. Nearly one-half urgently need basic repairs.

But slums are something that is happening on the other side of town, you may say. The problem isn't mine.

Slums are YOUR homework

Distance is no barrier against the threat and cost of housing blight.

Your taxes go up because it takes more money for your town to fight the diseases and delinquency and poverty spawned in the slums. The security of your family goes down because the slum is the natural parent of crime.

Where your business comes in

Every firm has a responsibility toward the town where it's located. Part of it is to support community improvements as any other good citizen would.

Some slums are beyond repair. They must be torn

down and a fresh start made. Others can be made to conform to accepted living standards. So it is up to you to get behind every sound program which seeks to provide adequate housing for all our people.

Civic and individual groups must have business backing . . . *your* firm's backing if they are to succeed.

Follow the course of Action!

A group of Americans from every walk of life has joined together in a non-profit organization to combat home and community deterioration, A.C.T.I.O.N., the American Council To Improve Our Neighborhoods.

Send today for a free copy of "ACTION." It explains what A.C.T.I.O.N. is and proposes to do. It lists booklets, research, check-lists, and other material which can help you. Address P. O. Box 500, Radio City Station, New York 20, N. Y.



American Council To Improve Our Neighborhoods

The Law Says!

By GEORGE F. ANDERSON

YOU'RE just one week too late." The lawyer handed the note and trust deed back to the client, explaining that the note was more than 10 years past due and therefore barred by the Statute of Limitations.

If the lawyer had inquired a little further he would have learned that while the note was dated June 9th the money was not paid out until July 9th and the note should have been so dated. That a note is erroneously dated may be shown by oral evidence, and this would have brought the holder in under the ropes.

TO BE competent in the drafting of wills a lawyer must have experience in that kind of work. The fact that he is a good lawyer, a scholar, an orator, and even a statesman, does not make him competent to draw wills, and are not a substitute for experience.

Bryans Appeal 77 Conn. 240 where the will was prepared by William J. Bryan. One of the provisions in the will was as follows:

"I give and bequeath unto my wife, Grace Imogene Bennett, fifty thousand dollars (\$50,000), in trust however, for the purposes set forth in a sealed letter which will be found with this will."

The sealed letter was found with the will with an inscription on the envelope, "Mrs. P. S. Bennett. To be read only by Mrs. Bennett and by her alone after my death. P. S. Bennett. (Seal)." The letter directed her to pay this money to William J. Bryan to carry on his good work. Why the testator should have desired to do it this way I don't know, unless it was to keep the object of his gift confidential.

If the draftsman of the will had had any experience he would know that this would not keep it confidential because the letter would have to be exhibited and probated as part of the will.

To integrate a separate document with a will, two things are necessary. (1) The document must exist at the time the will is executed. (2) It must be identified

in the will. The court did not think that the latter requirement had been complied with.

The court said, "Any sealed letter, or any number of them, setting forth the purposes of the trust, made by anybody at any time after the will was executed, and found with the will would each fully and accurately answer this reference; and, if we assume that the reference called for a letter from the testator, it is answered by such a letter or letters made at any time after the will was drawn.

"The reference is so vague as to be incapable of being applied to any instrument in particular as a document existing at the time of the execution of the will. The vice is that no particular paper is referred to. Such a reference as is made in the present will is in fact, as well as in law, no reference at all. Certainly it is not such a reference required in the case of wills."

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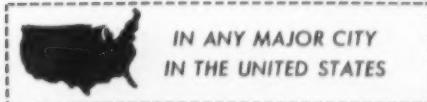
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Report from the Field

Is **BEST HOMES** policy
paying off?

What do the men who build and sell Best Homes think about the W. G. Best Homes Co. policy of giving dealers land planning, financing and sales promotion help? Here is the answer—from sales representatives who contact dealers every day!



W. G. BEST HOMES COMPANY • EFFINGHAM, ILLINOIS

THE BEST COMMUNITIES OF TOMORROW ARE BUILT WITH BEST TODAY.



Harry Abel (Central Illinois): "Dealers tell me they can count the extra dollars made when Best helps them select, acquire and lay out subdivision land. And they appreciate the exhibits prepared by Best for FHA and VA subdivision approval."



Ben Kinsala (Chicago): "Dealers I contact rate high the help Best gives them in arranging interim and long term financing... and more than one dealer has thanked me for the way Best prepared and followed through on an FHA or VA loan application."



Robert Lamson (Kansas City): "Helping dealers with Open House planning and promotion is a regular W. G. Best Homes Co. dealer service—and one they like! Best also helps with publicity, advertising, literature and on-site signs."

W. G. BEST HOMES CO.
Effingham, Ill.

I understand profitable dealerships are still available in some communities to those qualifying. Please send me information.

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Going The Second Mile . . .

FOR MANY YEARS, and more especially during the last few months, the JOURNAL has extolled the merits of the established real estate man as a community developer. We have talked about his "rightful" position of leadership and that this leadership is beginning to re-emerge as we return to a more competitive market.

A remarkable example of this emergence of leadership is typified by the Kendallwood project in Detroit. It is the epitome of Realtor-builder-architect-land developer teamwork. Really, it is more than teamwork, for teamwork implies that all members hold equal rank. In the Kendallwood project the land development company (which is a Realtor organization), and the real estate sales company hold the rank of team captains, and as such, they exercise complete control — calling absolutely all the signals.

There are many examples today of real estate companies buying land, improving it, parcelling it out to builders, and then handling the sales. But the Kendallwood project goes the second mile — the most important mile. The development and sales companies set up rigid requirements for participating builders. The control committee — formed by officials of these companies and an architect — screened each builder who applied. The builders finally selected were asked to submit house models for approval. Meetings were held so that the control committee could impart its general ideas to the builders.

After selecting the models, the control committee told each builder which model he could build on which lot. This was coordinated so as to give the overall project a custom-built look. Care was taken not to destroy the individual ideas of the different builders and their own designers, for one striking advantage of this project is that it avoids the all-too-familiar project look. It is indeed a development of custom-designed and built homes.

It is difficult to bring out the thoroughness of this project by the written word. Certainly there are numerous cases of subdivisions being controlled as far as price range, style and size of house are concerned. But in this example the real estate executives exercise their rightful control over *all* details of the development.

The home buying public is smart. No one realizes this better than men who constantly sell homes — in all price and size ranges, in all walks of life and in all sections of town. No builder can fool the public by cutting corners and using shoddy construction, and cheap, off-brand materials. During the post-war housing shortage, relatively fast sales made some builders think they were fooling the public. What they failed to realize is they were only meeting a temporary, critical demand for shelter.

It's the realization that the public can't be fooled which earns a real estate man his rightful position of leadership in community development. He knows the public will respond quickly to a good buy. He knows the public can pretty accurately judge long range resale value. The professional real estate man knows the type of good, substantial architecture the public will buy, that there are endless details in a house that can make or break the builder's reputation, that it doesn't take many sticking windows, warped doors or chipped bathtubs to destroy confidence in a builder and the sales organization.

In taking on builder projects, real estate executives should make sure they hold their rightful position of leadership, as the Kendallwood sponsors and many other top-flight companies already have. It takes a lot of skill, imagination and sweat to launch a project like this and carry it to completion. But today's housing needs the kind of planning and supervision that experienced real estate men can supply. In the best projects today real estate men are going the second mile with their builders. They know the first mile is not enough.

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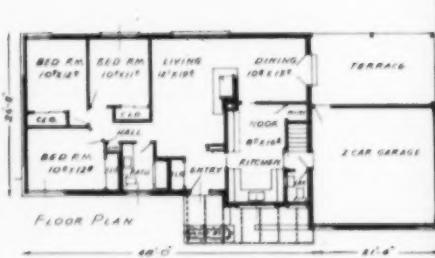
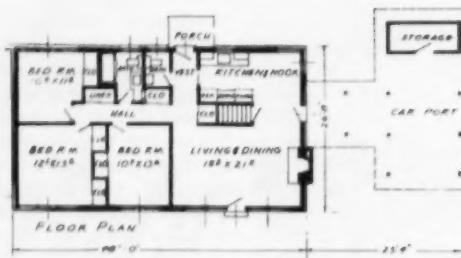
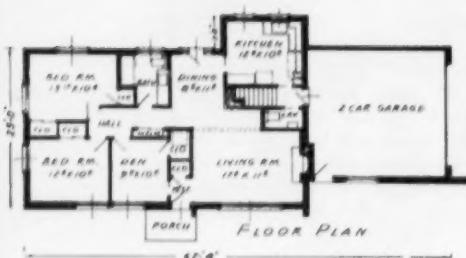
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PHOTOGRAPHS COURTESY DETROIT TIMES



Kendallwood Solves

Not a few small volume builders are being squeezed out of business by the mounting problems of land shortage and high improvement costs. A Detroit land developer has conceived a system that is solving these problems for builders. It is unique in the thoroughness with which it was planned and carried out. Cost per front foot of fully improved 110 x 144-foot lots was reduced to \$28 from a Detroit average of \$40. Buyers are benefiting from the savings and are delighted with the high value received.

BY ROGER C. LAKEY
Managing Editor

THIS is the story of an idea — one which can be put to work by any real estate man who has the proper skill, facilities and imagination. This idea was borne of a relatively young member of an established land development company. He conceived a plan whereby his company would buy a tract of land, fully improve it and offer the finished lots to small or custom builders at cost. The company would select the participating builders, set up a control committee, and supervise every aspect of the development. Basically, this idea is not new. But the unique part is the thorough way the project was planned and carried out.

Success of the project would depend on fast sales by engaging a competent real estate sales organization whose ability to sell new homes had been proved.

Result would be an unusually good value for the home buyer and assurance of high long-term prop-

erty value through orderly, supervised community development. The development company would realize its profit by splitting the sales commission with the sales company. The custom builder would earn his normal profit on the construction of the houses, and actually could afford to take less because of minimum risk.

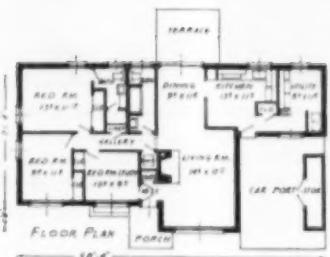
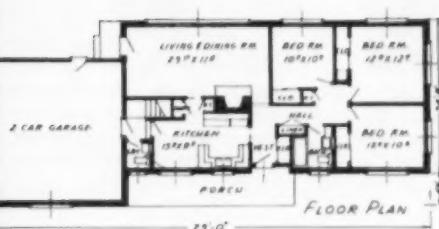
The manifestation of this idea is the Kendallwood development in Farmington Township, just outside Detroit. The creator of the project is Ross Campbell, member of the Thompson Brown Company, land developers in the Detroit area for 32 years. Charles Brown, senior member of the company provided the valuable experience and guidance needed to carry it out.

Brown and Campbell invited the Gordon Williamson Company of Detroit to handle sales. Williamson, in his own real estate business since 1942, had built a splendid organization with two sales forces — one for new homes and the other for resales.

Any real estate organization attempting to duplicate the Kendallwood idea should bear in mind that

13 Selected Kendallwood Builders

Herman J. Bloom, Builder	Anchaster Homes Inc.
Canvasser Bros. Building Co.	Crosley Building Co.
Dependable Construction Co.	Highland Building Co.
Adam Marks Building Co.	Intervale Building Co.
Samson Construction Co.	Paul R. Lowell, Builder
Ernest Scherer, Builder	Peal Building Co.
	Playview Home Builders Inc.



Sixteen models are being erected in Kendallwood, each architecturally different. Five are shown here. Their selling prices are as follows: 1) \$19,990; 2) \$19,950; 3) \$23,400; 4) \$21,200; and 5) \$19,550. All these models have 1½ baths, three bedrooms, carports or garages, built-in bathroom vanities, vent fan and hood over countertop range, built-in ovens, fireplaces, Formica countertops, garbage disposals, tile baths, brick exteriors. Most models have full basements with rough-in for basement toilets. Interiors are highly styled with room dividers, planters, masonry fireplace facings. Picture #6 shows a typical kitchen with birch cabinets and built-in appliances. Note the Sylvania "hi-fi" radio built into the kitchen wall. There are speakers in every room, making the set useful as an intercom.

Land Cost Problem

a background in land development and real estate sales is essential. A strong factor in the success of this project was the confidence which builders, lenders, the FHA and the public had in the Thompson Brown and the Gordon Williamson companies.

There's no question about the project's success because half of the first 306 houses were sold from plans and specifications before the formal opening on August 28.

Take a look at the background the Thompson Brown Company drew on for Kendallwood. For 20 of its 32 years experience, the company has been developing suburban land. From the persons who bought suburban sites — or didn't buy — they learned what the people really want. The company also sold suburban land to builders, which gave them valuable insight into builders' problems and what an "ideal" development would be from their standpoint.

The company watched other developments, noting the good points and remembering the mistakes.

Thompson Brown officials had become distressed at the way Detroit's suburbs were being developed. They knew people didn't want to move 15 or 20 miles from the city only to have 60 foot lots. They felt these builders were merely transferring crowded city living to the suburbs and were not really accomplishing the kind of suburban living people wanted. After months of study, they became determined to work out a development which would embody their ideas of what suburban living should be.

They felt these advantages should be included:

- 1) Lowest possible cost, but quality homes
- 2) Large lots
- 3) Sewers, water and paved roads
- 4) Many different architectural styles
- 5) Strict controls over the whole project
- 6) Highest grade of selling without pressure,
- 7) Fine houses by experienced custom builders

Selecting Brand Names in Kendallwood

COMPETITION being the life of trade, and each of our builders in Kendallwood being in competition with one another, we don't believe that any of the builders would dare use inferior products — sales would lag. During construction at Kendallwood, the architectural committee made frequent observation tours, and if it was noted that any builder was using sub-standard material or labor, the committee strongly suggested that this be changed and, of course, it was.

"Builders are definitely interested in the advice from our salesmen on the job as to the public acceptance and desires. They constantly inquire of us as to what we think about this or that, which might be an aid to sales. The use of nationally known brands is strongly advised by our Company because these national products instill confidence in the buyer because they know that a manufacturer with a national reputation to uphold will back his product with satisfactory guarantees, and, too, the people are conscious of service on appliances that are installed in their new home. They know that service is available quickly when a builder uses nationally known products in his home. We advise our salesmen to point out national brands to prospective buyers as a forceful tool in selling."

BERNARD F. SALASKI, Advertising Manager
Gordon Williamson Company



Gordon Williamson, Realtor, is president of the company bearing his name which is handling sales for the Kendallwood project.



Ross S. Campbell, vice president of Thompson Brown Company, land developers, is credited with conceiving the Kendallwood idea.



Richard B. Pollman, is a nationally-known designer from Detroit. He is an important member of the Kendallwood control committee.



Getting the builder's viewpoint was essential to the control committee so **Ernest Scherer** was appointed. He's one of the 13 chosen builders.

Cost of Lot Includes Five Factors

There are five factors, Brown explains, in the cost of a finished lot: 1) cost of land, 2) cost of improvements, 3) cost of money needed, 4) sales cost, and 5) the developer's profit.

Little could be done about cost of land and improvements. But by assuring fast sales the cost of money was reduced by about 50%. Sales cost of the

lot was eliminated, as they became part of the house package. And the developer's profit was postponed until the final sale of the house, their entire profit coming from the sales commission which is shared with the Williamson company.

Thus, cost of a lot to a builder was reduced by 40%. This meant the builder would pay no more for Kendallwood's 110-foot lots than he would usually pay for a 60-foot lot. This savings would be passed right along to the home buyer. Put another way, the builders paid \$28 a front foot for their lots, while the Detroit average is about \$40 per front foot, fully improved. The builders paid about \$2,800 total for a finished lot.

During the many months the Kendallwood idea was incubating, small builders in the Detroit area were having an increasingly difficult time with land and financing. Not being large enough to develop their own land, they had to buy scattered lots at high prices. This led to trouble in getting mortgage commitments commensurate with the high prices. Such builders were forced to spend more than half their time looking for lots and trying to get proper mortgages so their houses would sell. With this waste of valuable time, their building operation lagged, costs mounted, and their profits dwindled.

As Brown says, "Many investors become sick when they find out a piece of property they are holding can't be subdivided because of strict Board of Health requirements for sewage and water."

Brown and Campbell figured that if a group of fine custom builders could be induced to build in competition with each other much would be accomplished. They knew the builder could cut his costs if he could be relieved of looking for good land and getting proper mortgage appraisals. He could then put all his energies into construction. Also, if the builders were in competition with each other, the competition would bring about more efficiency and lower costs.

Thus, the lot and construction cost savings afforded a "paper" solution to the cost problem. After working this all out, Thompson Brown company held a series of dinner meetings, inviting many builders.

"The response was electrifying," says Campbell. "We immediately had requests equal to four times

Brand Names Used

KITCHEN EQUIPMENT

In-Sink-Erator
Waste King
American Standard Fixtures
Crosley (complete — range and oven, dishwasher, disposal, and cabinets)
Nutone Fans
Thor Electric Range and Oven
Briggs
Hotpoint
Hobart—Kitchen Air Dishwasher

BATHROOM FIXTURES

Briggs
American Standard
Kohler
Richmond

HEATING & AIR CONDITIONING

Luxaire—T. H. Brehm Company
Bard
Bryant Furnace
Armstrong
Majestic

WATER HEATERS

National
General
Crane
Everhot
Rheem

FLOOR COVERINGS

Armstrong
LaVasseur
Wain

BATH TILE

Mosaic Tile
International Tile
Roman
Farmington Tile
American Olean

ROOFING

Federal — Bird
Flintkote
Barrett

INSULATION

Celotex
Kimsel
Fiberglas

Taylor Garage Doors

Perfit Windows

Andersen Windows

Alwintite Windows, storms, and screens

Slidomatic Windows

Copco Aluminum Siding

Gently curving streets, large lots typify the Thompson Brown project in Detroit. The 306 lots are served by 60-foot paved roadways. A minimum of intersections enhances pedestrian and traffic safety. The project has its own sewage and water systems.

the number of lots available. And when news of this new development seeped through the grape-vine, we had countless more requests. We never realized there were so many small builders in Detroit."

One of the most difficult jobs in the Kendallwood project was selecting the builders. More than 100 applied. They were screened by the control committee which at first consisted of Brown, Campbell, Williamson, and Richard B. Pollman, designer. The committee talked with the builders, inspected what they had built, got credit reports and then narrowed the group to 13.

The biggest factor in selection was finding builders who were as enthusiastic about the project as the sponsors were and who could get along with each other, Campbell says. After selection, the individual builders and their designers began work on new designs for Kendallwood. Discussions were held to impart the control committee's general ideas to the builders. Yet care was taken not to dampen individuality.

Sixteen models were finally selected ranging from 1,130 to 1,477 square feet with three bedrooms, 1½ and 2 bathrooms, brick construction, family-size kitchens and many built-in features. Selling prices are from \$16,900 to \$23,400.

The 110-foot lots are 144 feet deep and no lot has less than 15,000 square feet. Land titles are free and clear with no unpaid special assessments. All titles are insured by Burton Abstract and Title Company, and individual policies are delivered with each purchase.

Early in the development of Kendallwood, Thompson Brown Company expected to build a sales organization and handle its own sales. But one of the builders involved reminded Thompson Brown officials they had no selling background and that this would entail a serious risk because the success of the project depended on fast sales. That is when the services of the Williamson Company were sought.

Here again, background and experience was essential. The Williamson Company was founded in 1942 and has grown to become one of Detroit's largest and finest real estate companies. Williamson



is known for his ability to find and use new ideas that improve his real estate service.

His office is equipped to handle all types of financing and insurance business. His staff has good contact with lending institutions and recording offices. Most important, he has two sales organizations — 20 salesmen handle new home projects under the management of Donald Henkelman, and 20 other salesmen are in the resale department under the management of Alger F. Quast.

Since Kendallwood houses are three-bedroom models in the medium price range, many buyers would already be home owners. They would have an existing home to dispose of. This meant the real estate sales company chosen would have to be equipped to handle trades.

Williamson not only was so equipped but has had a great deal of success with trades. For example, he took over a project of slow selling homes in the \$20,000-and-up price range. The builder turned over 160 leads which Williamson soon boiled down to 32 bona fide prospects. On 24 of these, he completed trade-in transactions and sold 24 new homes which he otherwise could not have sold.

Another feather in Williamson's cap was his unusually high record of selling 75% of all used homes listed.

Thus, Kendallwood was never a one-man operation. Brown spent most of his time for a full year on it. Planners and engineers worked as long. Committees were set up as special problems arose.

"Engineers and officials of the Detroit office of FHA have cooperated in an almost unbelievable manner," says Brown. "Wendell Edwards, FHA director, freely gave us advice and counsel. Local health officials have worked with us in solving sanitation problems. The Farmington Township Board and Board of Education have cooperated 100%; in fact, I think no development ever constructed in the Detroit area has had such a large group of interested people working for its success."

Many special problems came up; for example, the Department of Health was unusually strict. In order

Financing Kendallwood Homes

LOCAL banks supplied construction financing which was arranged by the individual builders. The Gordon Williamson Company arranged for the long-term financing and the New York Life Insurance Company is buying the mortgages through its loan correspondent, the Detroit Mortgage and Realty Company. Twenty-five year conventional as well as 25 year FHA mortgages are selling at par in Kendallwood. FHA evaluations most generally are within a hundred or so dollars above or below the selling price.

Installed Water and Sewage Systems

to get fast and reasonable FHA approval in Kendallwood, Thompson Brown had to install a sewage treatment plant. The Board of Health required isolation of 1,000 foot radius for the plant. This put the treatment plant in the center of a circle 2,000 feet in diameter — a space of about 70 acres. At the start of the project, the Board of Health mentioned something about needing 200 feet of radius, but later the requirement was boosted to 1,000. Fortunately, the tract had an extra 100 acres available for this isolation.

Cost per lot for the sewage system is approximately \$500, about what you would expect to pay for an individual septic system. Aside from the fact that a sewage plant was necessary from the FHA standpoint, Williamson says it is an important sales feature for the houses.

Water was not necessarily a problem. Thompson

Williamson got excellent cooperation from Detroit newspapers. Stories were carried intermittently from the time the project was announced. On opening day a big share of the building section of the Detroit Times was devoted to Kendallwood. Full page ad (background) run the Friday afternoon before opening Sunday ties in nicely with advance publicity.



Brown Company installed two wells, one 12" and another 6". Each has its own pump house. Cost was \$24,000 for pump and pump houses and \$70,000 for the mains which are all cast iron. This was a total of \$94,000 for 306 lots, or approximately \$300 per lot. The Board of Health requires 2½ gallons per minute per house, and this well system exceeds that minimum and maintains 40 pounds pressure at the houses.

Both the sewer and water plants will be operated by Thompson Brown until the project is completed. At that time, the Farmington Township Board will take over, install meters, and start billing residents for those utilities at township rates.

How Kendallwood Was Merchandised

THE public is quick to recognize a good buy. No one is more aware of that than Gordon Williamson. The fact that more than half the 306 houses were sold before opening is good evidence.

In spite of excellent public reaction, the project was merchandised as originally planned. Opening had been scheduled for Memorial Day but this proved to be too early. It was then postponed until August 28.

Small teaser ads were run for three months prior to the opening. The press cooperated by carrying newspaper stories from time to time. The teaser ads showed houses in succeeding stages of construction. Ten days before the formal opening, a preview was held for the press, city and township officials and civic leaders. The 250 guests were treated to a dinner and a tour of the project. More news stories resulted. Publicity material had been prepared before hand for the press in order to get across much of the thinking behind the Kendallwood idea and to be sure the real estate editors had their facts straight. This paid off with better news coverage.

A full-page ad was run in each of two afternoon newspapers Friday before the Sunday opening. A major share of each home section was given to news coverage of the project.

An existing house on the Kendallwood property served as a sales office. Full-color renderings of the sixteen models available were displayed. Actual demonstration houses were very near the sales office. After completion, the house used for the sales office will be spruced up and sold.

Sales Commissions

PARTICIPATING builders pay a full 5% sales commission, 2% of which is paid to the Thompson Brown Company, land developers, and 3% to the Gordon Williamson Company, sales agent. The Williamson company pays all merchandising, advertising, promotional and publicity costs.

Pointers for Successful Selling

The author is sales manager of Fairhill, Inc., a Memphis prefabricator. His ideas on project-selling are based on experience, and the tips he offers may improve your salesmen's techniques.

BY PHILIP A. McCARTHY
*Sales Manager, Fairhill, Inc.
Memphis, Tennessee*

SELLING new houses, particularly project-selling from a model home, is a relatively new selling technique. Some of the pointers for successful project-selling brought out in this article can be applied, however, to all types of real estate selling.

Some of the principles included are long-established but often forgotten; others are new variations on old techniques. All in all, they represent a fresh, practical approach to a subject that is really inexhaustible, and are well worth the serious attention of your salesmen. — Editor.

1) Be Confident

A salesman who believes in his product isn't merely displaying just another home. He is certain he is offering his customer the *right* house, in the *right* location, at the *right* price.

2) Know Your Product

Confidence springs from knowledge, and an alert salesman knows his product thoroughly. He familiarizes himself with the plans and specifications of each model home and learns the names of the national brands used.

Know your competition, too. By knowing room sizes and building

dimensions you will often find you are offering more house than your competitor.

National advertisers help the local salesman. Draw up a list of the national brands offered in your product, and learn something of their story. Many of these names will be familiar to your customers.

3) Don't Over-Represent the House

The dwelling is a quality product, the result of careful planning by skilled housing technicians. The furnace won't heat a hotel, however, and the hardware is brass, not gold. The merits of the design and construction can well be represented without undue puffing-up or other embellishment.

4) Keep on the Project as Much as Possible

It is true that design, construction and materials will enable each dwelling to speak for itself as a silent salesman. Not all visitors are buyers, and in some instances there may be a good reason. Listen to the complaints your customers make. Useful suggestions and practical complaints should be carefully noted and passed immediately to the builder or

sponsor for consideration in improving future design and construction.

An adverse comment, on the other hand, may be simply the result of misunderstanding. So remember that the house may sell itself, but it can't close the deal.

5) Keep the Model Home Immaculate

Have you ever visited a bus station on a busy day?

Your model home wasn't designed as a bus station, yet it will probably have as many visitors and as much rough use.

Provide ash trays and trash receptacles. A thorough daily cleanup is essential. And be sure to use plenty of water to keep the outside grounds looking fresh.

6) If You Can't Answer a Question, Don't Make Up an Answer

There shouldn't be any reasonable questions the salesman can't answer. Knowledge of the product and the competition will produce prompt, accurate facts. But keep in mind that many visitors may be home-owners and may know a few facts themselves. One secret is to listen to questions carefully. Many

a prospect has been cooled by a careless answer.

7) Know Your Subdivision

Several different model homes have been constructed. Sales interest in these models will determine future starts. A plot plan shows the disposition of the various models in the section of the subdivision to be developed next, and color schemes on roof, brick and exterior trim have been carefully worked out. Try to avoid making promises of changes in elevations and color schemes. Instead, sell the idea to your client that the subdivision has been designed so that all homes will be displayed to their best advantage.

8) Keep the Plot Plan Up-to-Date

As sales are made, this data should be entered promptly on the master plot plan and the record constantly kept up-to-date.

9) Know the Financing Terms on Each Model

This doesn't simply mean a knowledge of the downpayment and amount of the monthly note. Special financing arrangements are available through both VA and FHA for veterans. Questions will arise as to whether a veteran overseas can become a home owner. Can an individual retired on a pension or an annuity buy? The alert salesman has these answers and many more at his fingertips.

10) Have Sales Contracts Pre-Drawn

In addition to the model homes, draw up contracts on all the properties then being offered in the development. Have these ready and waiting for the client.

11) Don't Delay in Obtaining Earnest Money and Loan Application

The first period of any opening is a hectic time for a salesman. Hundreds of visitors appear and customers seem to be everywhere. Many folks, however, just aren't constitutionally able to make up their minds on short notice. Try the five-day breather, then follow up in earnest.

Sharpen Your Sales

BY ARTHUR R. STORM

Executive Vice President
Geo. H. Beckman Inc. Realtors
Teaneck, New Jersey

In the months ahead, we are faced with an ever-expanding real estate market. Does this mean we can relax? Absolutely not, says the author. Competition will be keen. To make the public come to your door instead of your competitors' you must be more aggressive and become a service station for real estate.

EFFECTIVE merchandising will be the key to success from now on, in my opinion. Aggressive sales techniques must be dusted off and sharpened up. You will need to give more post-sales service to be sure your customers are satisfied. More than ever your salesmen must realize they cannot be completely successful unless they honestly believe in their product, that now is the right time to buy it, and that they approve of the manner in which they recommend that their prospects buy it.

For the rest of 1955 and the new year ahead, I would like to suggest Ten Demands for your salesmen:

- 1) Your prospect has "inside information — get it!"
- 2) Learn to ask questions, learn to analyze the answers, get the prospect's "buying talk" before he gets your "selling talk."
- 3) Tell your prospect what he wants to hear — the way he wants to hear it.
- 4) Remember a sale, like a fight, can be won on points. It's not

necessary to always score a "knockout."

- 5) You "You" them and they will "Yes" you.
 - 6) Simplify your sales talk. *Convince*, do not *Confuse*.
 - 7) Remember the value of an understatement.
 - 8) Say less and *show* more — people believe more of what they *see* than what they *hear*.
 - 9) Use competitive information — never misuse it.
 - 10) People will forgive you almost anything but bad manners, indifference to their needs, and mental and physical laziness. Remember that when a salesman wears out the seat of his pants before he wears out the soles of his shoes, he is making his contacts at the wrong end.
- In all closings, we must be sure of ourselves in handling the fears that bind and throttle a buyer. Remember, integrity and service will reflect the sense of balance and a right motive on the part of the salesman. Sensitivity and timing

Your Prospect Will Want Answers to These Questions

- 1) What will you do for me if I listen to your presentation?
- 2) How can I be sure you can do what you promise?
- 3) How will you get this end result you are promising me?
- 4) For whom have you done this before?
- 5) What will it cost me?

Techniques

are most important to the prospect's thinking. Fear kills many real estate sales and weak salesmen are responsible. Be sure to face facts and impart only whole truths.

The buyer is often cheated from the many benefits of home ownership because of incapable salesmen and the unsatisfactory answers to questions to which the prospect is entitled to complete and absolutely truthful answers.

Most people are interested basically in themselves. They like to feel important. Every man is a "King," his wife is a "Queen," his daughter a "Princess" and his son the "Apple of His Eye." He wants to feel sure of his security and that of his family. He admires the optimist, because optimism breeds security.

There are three reactions in the minds of prospects that make sales:

- 1) You can interest people in your proposition so they want to know more about it;
- 2) You can convince them it would be a good idea to buy your proposition; and
- 3) You can persuade them to buy it right now.

I urge you to make it an absolute law that you will never go into an interview until you have organized your presentation for that particular prospect by putting together the answers to these five questions directed at the *dominant desire* of your prospect:

- 1) What will you do for me if I listen to your presentation?
- 2) How can I be sure you can do what you promise?
- 3) How will you get this end result you are promising me?
- 4) Who have you done this for in the past?
- 5) What will it cost me?

May I remind you that successful salesmanship is 90% preparation and only 10% presentation.

In some business lines, sales are down. They're still what used to be a boom, but down from last year and there are only two ways to go . . . Shut down, retrench, fire and cancel, or improve efficiency, work harder, waste less and do better. The former is the easier way (and how our enemies hope we will take it). The latter

is the American way — not easy — nothing magic about it — but it works!

May I remind you that the toy industry has grown from an \$84 million a year business to a \$900 million giant. The United States was buying baby food at the rate of 170 million cans in 1940 — this year it is buying it at the rate of one and one-half billion cans. The electric power utilities reckon they will have to build as much new capacity in the next decade as they did in the last 75 years. General Electric estimates that in 1960 the growth and replacement market should mean total industry sales of 600,000 more refrigerators than in 1951 and 500,000 more freezers, and 1,100,000 more ranges. There will be 10 million more customers of car buying age by 1960.

One out of seven people in the United States is over 65 years of age. What are we doing to cater to this particular market?

The automobile took people out of the home and television is bringing them back into the home. The average marrying age is only 19. Fifty percent of all homes in America are over 30 years old

today, and many are obsolete. Again I say to those in the building and real estate business, are we making the most of this vast market and what are we doing to provide for it?

We must give a welcome, an effort, a service. We must show appreciation and then, *and only then*, will the volume of business take care of itself. Remember, sittin' and wishin' won't improve your fate. The Lord provides the fishes — but you gotta dig the bait!

In selling for the future, may I suggest, that you

Take Time to Work — It is the price of success

Take Time to Think — It is the source of power

Take Time to Read — It is the fountain of wisdom

Take Time to be Friendly — It is the road to happiness

Take Time to Look Around — It is too short a day to be selfish

Let us pray as though no work would help, and work as though no prayer would help. Treat the other fellow as you would like to be treated. Work hard, be conscientious, do not pay any attention to hours, and your future success is assured.

Why Qualify Your Prospects?

Proper qualifying of a prospect is most important. If we start off in haste and excitement to show a prospect a particular house and it happens to be brick, with a 100x150-foot plot, with a vestibule, television room, first floor powder room, three bedrooms, two baths with a stall shower, screened-in porch, open patio, rumpus room in the basement and a two-car garage, and then for the first time we find the buyer makes only \$68 a week, it has not only been a waste of the prospect's time, a waste of the owner's and your time, but worst of all, it makes anything else we may show the prospect look like an outhouse by comparison. Why build up such a barrier for ourselves?

— Arthur Storm

Raising Real Estate Standards

Better education, better examinations are essential to raising the standards of real estate as a profession. Your license is something you've earned and have behind you, but your efforts should always be toward "an ever-increasing competency."

By ROBERT W. SEMENOW

Secretary-Treasurer

National Association of License Law Officials

IT IS AGREED that the prime requisites for a real estate license are, and should be, character and competency. Unfortunately, not all license law statutes include both of these requisites for licensure. Thirty-nine states require an examination in order to qualify for a broker's license. In many of these states, the original act did not include a provision for examination. Certification of good repute and payment of a license fee were the sole requirements. Here again, organized real estate groups, working in conjunction with license law officials, have been responsible for the elevation of real estate standards by including an examination amendment.

If the real estate industry is to approach a level comparable to that of the traditional professions, it is essential that continued and renewed efforts be exercised towards greater education of the real estate membership for an ever-increasing competency. A well-rounded educational program is particularly desired in these days of technical specialization. NAREB long ago recognized the need for sound basic training in real estate fundamentals and practices. Today, great strides have been made by the national group through its educational program and institutes, in providing an expanded educational program. This national program has been supplemented by state and local real estate associations which, in turn, have been implemented by the institutes, clinics and educational programs sponsored by license law commissions. In the larger communities of the country, added opportunity for real estate study and research are afforded by our universities and colleges. There is a real and significant relationship between education and competency.

As licensees become increasingly alerted to the benefits of continued education, added incentive is created to raise the requirements of licensure through comprehensive and adequate examination. The same motive that initiated license laws in the first instance through the efforts of the real estate brokers themselves, should be intensified now to raise those standards higher. In so do-



Robert W. Semenow

ing, increased self-respect and prestige is bound to ensue. As individual members have become education-conscious, headway has been made towards increased educational requirements for admission to licensure.

Examination Tests

An examination of the questions asked by some states upon the broker's examination are so simple and elementary as to require very little preparation or study. Frankly, they are not much better than no test at all, except that, since an examination is required, pressure can be exerted to make it mean something. Certainly, in those license law states which are presently devoid of any educational requirement, organized effort should be accelerated to raise the standards by an education amendment. You will find the license law officials helpful and cooperative in this direction. The great drawback in the past in some states has been the ill-founded fear that such an examination amendment would be required of all licensees. Thus, these fears must be dissipated before universal acceptance can be obtained. In those states where license laws do not exist at the present time, we must reluctantly, but realistically, admit that political expediency may dictate that a simple license law bill be introduced without an examination provision. It is better to get a "foot in the door" through a mere regulatory statute than have no license law whatsoever. Experience shows that it is not as difficult to enact amendments as it is to pass the original bill in the first instance.

As an example, the Oklahoma license law passed in 1949 provides very simply that (Sec. 18) "Applications for license shall be in writing on blanks furnished by the Commission, accompanied by such information and recommendations as it may require — (as to good reputation for honesty, integrity and industry)". Each applicant for license must post a surety bond of \$1000. Subsequently, an examination requirement was added.

The Territory of Hawaii passed an amendment in 1949 requiring an examination test for broker applicants. Incidentally, it is interesting to observe that Oregon, as of January 1, 1940, deleted the bond requirement from the Ore-

(Please turn to page 40)



With prices ranging from \$13,750 to \$15,200, the "Westwood" includes a color-coordinated kitchen with built-in gas range, automatic oven and broiler; exhaust fan; garbage disposer; built-in dishwasher. Optionals: built-in refrigerator, washer, dryer.



Making the most of the California climate, Bohannon's "Westwood" combines privacy with ample space, and capitalizes on the strong trend toward "indoor-outdoor living." Architectural fences, trellises and paved patios make full use of lots.

Meeting the Demand for Color

By KENNETH R. MACDONALD

DAVID D. Bohannon, prominent Realtor and one of the country's largest builders of planned community home tracts, is now offering buyers of homes in his Westwood tract at San Jose on the San Francisco peninsula a completely built-in kitchen with all colors coordinated and harmonized. In 28 years as a home builder, Bohannon has construct-

ed homes now occupied by some 35,000 people.

"During this time," Bohannon explains, "we've come to learn pretty accurately what home buyers want. To give them what they want, we turned to mass production techniques to reduce costs, along with architect designs."

"And today," Bohannon continues, "the demand is for color

The "Achievement Series" by Bohannon features this four-bedroom plan. On lots 66' x 95', construction was kept to a minimal \$10.50 per square foot cost. The open plan of the interior is well-suited to the broad sweep of the exterior.



Fireplace, plywood paneling, sliding glass and overall size (living room is approximately 15' x 18') give the "Westwood" a luxury look. Clean lines not only add to the appearance but substantially cut building costs.

harmony within the home."

Homes now being built by Bohannon in what he calls his "Achievement Series" feature the entire kitchen in color, with built-in appliances, walls, cabinets, counters and flooring all coordinated in matching or harmonizing colors or finishes. Homes are on 66' x 95' lots, and were built at a cost of \$10.50 per square foot. They sell from \$13,750 to \$15,200.

Equipment is in place when the buyer moves in, with no installation costs or financing problems. All are included in the regular monthly payments for the home.

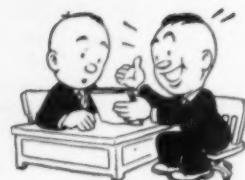
As always, Bohannon makes the most of brand names in his advertising. These homes feature Western Holly built-in gas range, automatic oven and separate broiler; Waste King garbage disposer; General Electric dishwasher; Vent-A-Hood cooking ventilator; Servel built-in gas refrigerator; Whirlpool washer and gas dryer.



Should Builder Sales Agreements

Be in Writing?

You can find successful real estate companies on both sides of the fence on this question. Putting the agreement in writing is the safe way. The important thing is both parties should clearly understand what is expected of them. Carefully drawn, written agreements will help insure smooth "saling" in selling your client builders' houses.



SHOULD you enter into a written agreement with your client builders? Or is it better to go ahead on a gentlemen's agreement, acting on faith?

There seems to be a great deal of floundering around on agreements with builders. Some real estate companies have suffered because they didn't have a clear cut agreement. In such cases it's not unusual to have to sue for unpaid commissions. This is costly and also damaging to a real estate man's reputation.

After checking with realty men around the country who enjoy much success with selling for builders, it seems safe to conclude that where the reputation and ability of the builder is not firmly established with years of experience in the area, a written agreement is essential. Where there's no question about the good faith of your builder or builders, a gentlemen's agreement is enough — providing both parties know exactly what is expected of them. But if you want to be sure, you'd better get it down on paper.

This is not to say your client builders are not reputable. Nevertheless, many builders have engaged sales agents through necessity and are sometimes not thoroughly sold on their value.

This lack of understanding breeds discontent and the feeling that perhaps the sales agent is not worth his commission.

This can be offset in *nearly all cases* by doing a better selling job on your client builders and getting yourself into a position where *you* call the shots and not the builder. This is the pattern followed by many companies who make big business of selling houses for builders.

If you pay the advertising and promotion costs (and charge a fair commission, of course), supervise the planning and merchandising of the project and handle the financing, there can be no question you've earned your commission.

Example of Written Contract

Dennis S. Wagner, owner of the Wagner Company, El Paso, is a good example of a Realtor who uses a written agreement. He will sell about 1,500 houses this year for builders, many of which will be in a 4,900 house subdivision just opened by Wagner. His total sales volume this year will be \$16.5 million.

Here's a rough outline of his agreement:

Exclusive Listing Agreement Between Dennis S. Wagner of Wag-

ner Co. and _____, Builder, El Paso, Texas.

"The Wagner Co., Dennis S. Wagner, Owner, will do all in its power to procure a purchaser for the homes located (give legal description here), El Paso, Texas. He agrees to do all publicity and promotion, which includes newspapers, radio, television and signs. He agrees to hold a demonstration house open and have a Wagner Co. representative on duty from 10 a.m. to 6 p.m.

"Wagner Co. and Dennis S. Wagner, owner will be paid 4% commission of the total sales price on homes in the above addition, which total is \$_____. If Wagner Co. cannot obtain a purchaser within 60 days from when the home is completed, then I, (builder) have the right to list my property with other agents, but Wagner Co. still maintains a non-exclusive listing."

Wagner says he performs these services for builders:

"We pick out all colors, interior and exterior. We give the foreman one copy of the color scheme, the purchaser one, and keep a third copy in our files. We collect \$2 a day rent from the purchaser in case the home is finished but not ready to close. We collect \$60 in advance for this and refund the

unused balance. We make an appointment and send our customer to the mortgage company to make his loan application. We then notify the builder that the purchaser's home is ready to close. We send a closing statement to the title or mortgage company and tell them how much earnest money we have in escrow and how much rent we have received to this date, or if there are any extras on the home for which we have collected.

"After we come to an agreement between the purchaser and the builder, we collect for the extras. In case this purchaser is not accepted for the loan and we cannot sell the same extras to the next purchaser, we lose that particular amount. To date, however, we've been very lucky and have been able to sell these extras.

Keeps Complete Records

"It is also understood between the builder and Wagner Co. that if we of the Wagner Co. make a mistake, we must pay for it. Or if one of our representatives makes a mistake, he pays. Now if the builder or one of his subcontractors makes an error, then they must likewise pay. This understanding works very satisfactorily," Wagner says.

Wagner puts more on paper than his sales agreement. He keeps a file card record of each purchaser, with a legal description of his property, name of builder, and other facts pertinent to the transaction. This shows the builder exactly what has been done with each purchaser.

A clear understanding with purchasers is also essential. Wagner furnishes complaint slips to buyers. The buyer fills the slip out in triplicate if he has any complaints after moving in. Wagner sends the builder a copy, the customer one, and keeps a third in his files. But before mailing the builder's copy, Wagner telephones him about the client's complaint. When the builder receives the complaint slip, it serves as a reminder and clears the Wagner Co. if the builder says he was never informed of the complaint. "This," says Wagner, "I find to be a very good idea."

"We also use a receipt slip for any contracts, checks, or other information we give to any mortgage or title company or lawyer," Wagner says. "Then we can go to our file and find where we have left any important document or check. We pass out a book which tells

our customer how to take care of his homes. This, has helped tremendously."

Mal Sherman, Baltimore Realtor, does not use written agreements. He has been representing builders — small and large — in Baltimore since 1951 and presently is the exclusive sales agent for 14 builders who build from five to 100 houses a year.

Sherman has different kinds of working agreements. In one builder's development of 250 homes, he takes care of merchandising and sales, and the builder pays all costs of advertising, brochures and signs. "Our commission represents a net figure with no expenses to be paid by us," Sherman says.

His commissions are 1½% of the sales price, and in this development all the preparatory work with the county, VA, FHA and mortgage company has been done by the builder. "We prefer to have the builder pay all costs, since he can decide exactly what he wants to spend for merchandising, and would not continually be after us for more advertising and merchandising than we are willing to spend," Sherman says.

In another type of arrangement, Sherman obtains land for the builder, tells him what to build, obtains and has the builder pay for the plans from the architects, arranges financing for land and construction. He sponsors the development through government agencies, pays all costs and receives a commission of 2½% of the sales price.

In a third case, usually involving a small volume builder, Sherman represents a builder who is building, say, 10 houses a year in the \$25,000-and-up range. He handles it much the same as an individual property sale — handles all merchandising and promotion and receives the full 5% commission.

Does Not Use Written Contracts

Drucker & Falk, a long established real estate company in Newport News, Virginia, uses no formal contracts with its client builders.

"We give them complete service including advice on land and on subdivision plans and specifications, handling and steering through FHA and VA, processing and often placing their financing as well as handling the sales and advertising," says E. E. Falk. "In view of this, we have never found it necessary to have anything in writing with our clients."

Harry F. Hall, Independence, Missouri, enters into an exclusive — but unwritten — sales agreement with his client builders. He has exclusive rights to all houses built in the client's addition and to all vacant lots that the builder-developer may sell to other builders.

"Our commission is regulated by the size of the subdivision and by the builder's volume," says Hall. "We charge 5% for builders of less than 10 houses per year. High volume builders are given a rating as low as 3½%. Our office is allowed to keep all insurance business and loan brokerage commission that may be paid by the lender."

A List of Services

Hall says he performs "any and all" services in a project. He offers this as a partial list:

- 1) Helps select and buy land.
- 2) Plans street layout, lot sizes and grades.
- 3) Helps architect plan the houses to be built — their floor plans and elevations, price range, decorating and accessories.
- 4) Arranges interim financing and loan money for builders.
- 5) Handles zoning, writes and records restrictive covenants, estimates and similar matters.
- 6) Writes specifications and handles problems in getting FHA and VA commitments.
- 7) Handles all advertising, promotional and sales work.
- 8) Channels all buyer complaints, then checks and screens them before passing to the builder.

Hall handles many trades. He makes them according to his own judgment, and it is his responsibility to see that the builder does not lose money on such business. Where a profit is made on a trade-in, he usually receives 5% commission or half the profit, whichever is greater.

"We try to operate in close teamwork with the builder," Hall says, "and we've found our system of operation to be satisfactory. I might add we have never had a builder leave us of his own volition. We believe our system of using the bargaining power of our several builders collectively aids both us and them a great deal in getting better financing and better service from material suppliers."

What Are You Doing for Your Local Industries?

Your civic leaders and officials can spend thousands of dollars seeking new industries for your city and at the same time have existing industries move out. Unless there is a healthy economic atmosphere for your existing companies, there is little hope for attracting new ones. Here is an authority's analysis.

HARDLY a day passes that my mail does not include literature, data-sheets and brochures that are sent out from chambers of commerce, area development departments of various utilities, and industrial Realtors from all over the country. Some of the brochures are, without a doubt, things of beauty. They are well designed and, obviously, represent a lot of time and money. I am glad to report that most of the material which we receive is carefully put away for possible future use. However, I cannot help but wonder if we are tackling this problem correctly. We spend literally millions of dollars for promotional work to bring in new industries. We travel from one end of the country to the other, interviewing businessmen, in the hope that, through our efforts, they will be induced to locate in our area. I have no quarrel with this, but in our zest to bring in new industry we too often completely forget about our existing industries — those industries which have been and are the very backbone of the business activity of our communities.

Is it sound to seek new industry while at the same time our existing industries are moving out? Every business has its own axioms of conduct and the real estate business is no exception. One of the first truths to be learned in selling property is that the best prospect is the present tenant. Your best prospect is your present industry. It is a present asset and not a future hope.

Perhaps if you would allow only one tenth of your industrial development budget and your time and effort to encourage the expansion of your existing industries the return might be tremendous. Did you ever as much as thank your present industry for its past and continuing contribution to the economic welfare of your community? Have you ever asked the managements of your present industries if they are faced with problems where you might be able to assist them in finding answers? Do you sit back and watch legislation be passed that unnecessarily restricts your industries or places them in a non-com-

petitive position? Do you induce outsiders to come into your communities by offering low rent or free rent, while at the same time you ignore your present industries?

It is a serious problem and deserves serious thought. Do not wait until the prospects of a "ghost town" are upon you before you become aware of your existing industries. By that time it is usually too late to change the picture.

Now "Why does an industry locate here instead of there?" There is no formula or rule for selecting an industrial site. The weights to be placed upon the many factors affecting an industrial site depends upon the evaluator, upon the type and size of the industry, and, to a certain extent, upon the particular political and economic conditions prevailing at the time the selection is made. The only general rule that can be set forth is to select a site where the total cost of production, overhead and distribution is a minimum and competitive.

There are three distinct phases in selecting an industrial site:

- 1) The selection of the region or general territory.
- 2) The selection of a particular locality in that region.
- 3) The selection of a particular site in that locality.

To illustrate: Let us assume the XYZ Company wants to build a new plant and its studies indicate that the region or general territory for its new plant is to be the Great Lakes Region rather than the Atlantic Seaboard or the West Coast or the deep South. That is the first phase of site selection.

After the general territory is selected, let us again assume the XYZ Company has decided upon a location in the State of Ohio rather than Indiana or Pennsylvania. That is the second phase of site selection.

Up to this point, and assuming that the XYZ Company is a large industry which has its own market development and market research departments, there isn't much that any of you can do to assist it. The various studies that the XYZ Company had made that would lead it to select the State of Ohio as the site of its proposed new plant would include a complete analysis of the market (past, present and future), the assembly of raw material, cost of distribution of the finished product, facility size, effect of the proposed plant on existing company plants and the effect of the proposed plant on competitive producing plants in that area.

The third phase of industrial site selection, namely, the selection of a particular site in that locality is the phase in which you can play an important part. That is the phase that might narrow the selection of the State of Ohio to, let us say, the City of Columbus and to a particular location in Columbus.

You should have in a form available to industry factual and dependable information with respect to

*Adapted from a talk before the "Industrial Development Clinic" in Columbus, Ohio, sponsored by the Ohio Chamber of Commerce.



By NORMAN O. McELVANY*
Real Estate Division
United States Steel Corporation

the factors mentioned hereafter. Such information should be free of flowery language and ambiguous phrases which tell nothing, but instead arouse suspicion that "all is not well." You should treat inquiries with utmost confidence. *To me, confidence is the most valuable commodity that you have to offer to industry. Nothing can more completely upset well-laid plans than premature public knowledge of such plans.*

You should also be imaginative and realize that a certain degree of flexibility oftentimes exists in an industry's plans. To illustrate, if we tell you that we are interested in a site of about forty acres, don't limit your search to sites between forty and forty-two acres and within one-half mile of the approximate location we designate.

Another point concerns the practice of subsidies to induce industry to locate in your area. Such subsidies are sometimes in the form of free rent or reduced rent in existing buildings, or other such concessions. No doubt this practice has merit in some instances. For example, I heard about a case in New England where several million square feet of factory space had been thrown on the market as a result of the textile industry moving out. Obviously some concession, such as reduced rent, must be made to induce industry to come into that area. In general, however, subsidies should be used with caution. Both the giver and the receiver incur obligations that may later restrict freedom of action by either party. This in turn may not be to the best interest of the community. It may interfere with the community's right to govern and management's right to manage.

To return to the third phase of site selection, some of the factors which could narrow the selection to a particular city and to a particular site in that city are:

- 1) Economic proximity to natural resources or raw material essential to the operation of the plant.
- 2) Availability of utilities and this includes gas, water, electricity and sewers.
- 3) Transportation facilities including rail, high-

ways, waterways, river and harbor facilities. The presence of an airport in the area is also becoming increasingly important so that management can get to and from the plant more quickly.

- 4) Zoning — Do you protect industry from residential and commercial encroachment and vice versa?
- 5) Are your building codes modern?
- 6) What's the attitude of your local government? If it is predatory, it may result in ruinous taxes and political restrictions.
- 7) Are there reasonable regulations covering the disposal of industrial waste products?
- 8) Are the adjacent industries desirable or undesirable?
- 9) Labor market — Is there an ample supply of labor available and is it the type of labor required, i.e., skilled, semi-skilled and unskilled? What is the history of your labor relations? Has it been harmonious?
- 10) Adequacy of the site itself — It must be large enough to provide for today's conditions, including parking, and future expansion.
- 11) Climatic conditions. Do you have damaging windstorms or floods and excessive humidity, heat, snow or rain?
- 12) Availability of good housing and schools and recreational, cultural and amusement facilities.

And last, we come to the matter of land costs and the physical condition of the land. Both must be considered together. The true cost of the land is the purchase price plus the cost of preparing the site. Site preparation includes the demolition of present buildings and facilities, grading, over-coming undesirable subsoil conditions, and other such items. Well prepared land naturally costs more but it may be cheaper in the long run. However, when the total cost of land is excessive, the project sometimes dies before it even gets started.

Waltemade on —

- New Housing Law
- Credit Restrictions
- Public Housing
- Hoover Commission Report
- Outlook for 1956

NAREB president says 1955 law is "essentially an extension of existing programs . . ." Tightening of credit terms won't have much effect on Realtors' activities, either, and he doesn't agree with those who think public housing is making a comeback. 1956 will be "another year of high volume."

1) What is your opinion of the new housing law, especially as it will affect home buying and home building?

I regard the housing law of 1955 as an interim kind of measure. It is essentially an extension of existing programs, breaking no new ground comparable to the important advances that were made in the Housing Act of 1954. Since a study committee is already at work to obtain background information for next year's housing legislation, we can probably expect more comprehensive enactments next year.

Meanwhile, we have in the '55 act a continuation of programs that will make their important contributions to a year of near-peak levels in home building and home buying.

2) You have spoken against the recent tightening of FHA-VA credit terms. Would you state briefly how you believe this will affect the average Realtor's business in the immediate future?

I do not believe the recent curbing of credit in the insured and guaranteed programs in themselves will have a measurable effect on the average Realtor's business in the immediate future, or curtail sales to any great extent. However, further curbing of credit might have an adverse effect on the market.

To the extent, however, that this action of government in reaching

for the control of home buying credit may express a lack of confidence in the stability of our home market, it may have a psychological effect that will bring some financing difficulties to Realtors in their marketing operations.

3) It would seem from the unfortunate hassle in Congress over public housing that the public housers are gaining strength. Is the private housing industry becoming complacent about public housing? What can Realtors and builders do to renew the fight against socialized housing?

I do not believe the view that public housing is gaining strength to be a correct appraisal. Actually, the subsidized housing program got a smaller authorization for a shorter period of time than had been requested by a conservative administration. In the process, the backers of public housing showed more clearly than ever before, I think, their lack of genuine concern over the grievous problem of slums — a problem that has been used to obtain much support for public housing in the past.

By insisting that they could not be tied to a city's workable program to attack the slum problem, I believe they have alienated a great many sincere people who will review the argument for public housing more critically in the future.

Certainly, the private housing in-

dustry of the nation is in no way becoming complacent about public housing. I know of no segment of the industry that accepts the principles of government-owned-and-operated shelter.

Those who feel as we do, that socialized housing does more harm than good, should insist that in housing legislation there be an end to the tricky procedure of omnibus legislation. As everyone who has observed the actions of Congress well knows, if public housing proposals were put into separate bills and considered on their own merits, it is extremely improbable that they could gain Congressional approval. As you know, the House of Representatives, in adopting the housing measure this year, refused to approve any public housing whatsoever. The fact that public housing proposals were simply parts of an omnibus bill containing measures having no essential relationship to public housing, made possible a compromise in conference committee that could not have been obtained if public housing were being judged on its own merits apart from

Henry G. Waltemade of New York, 1955 president of the National Association of Real Estate Boards, has over 30 years' experience in the real estate business. Long active in Association work, Waltemade has been president of the Bronx Real Estate Board, the New York State Association, the Realtors' Washington Committee, and a NAREB director since 1945.

these extraneous matters.

- 4) What is your opinion of the Hoover Commission's report on the government's housing agencies? If its recommendations were followed, would the FHA be able to live within its budget and at the same time administer its expanded program? Was the refusal of the full requested FHA budget a move by Congress to force FHA and related agencies to streamline their systems?

The Hoover Commission's recommendation on FHA proposes that the agency provide its own financing without going to Congress. We interpret this recommendation to involve a substantial change in FHA's capital structure and the elimination of the government guaranteed debenture, which has made the FHA system successful. Such a change would cancel out more than 20 years of sound evolutionary progress in home financing.

We continue to support the FHA system that has permitted the vast pooling of mortgage risks, thereby enabling homes to be financed under terms which meet the pocketbooks of the millions of families of average or below-average income.

I do not believe there was any relationship between the recent FHA budget cut and proposals for reorganization. Apparently Congress simply assumed that the budget for FHA's self-sustaining operation, like the budgets of more usual government agencies, could be safely cut with an invitation to the agency to come back for a deficiency appropriation. Probably the hurried, last-minute nature of the action also had its part in this budget cut.

- 5) What is your outlook for 1956 on real estate sales volume, supply of mortgage money, home building volume?

Reports I get in traveling through the nation indicate that 1956 will be another year of high volume real estate activity, probably greater than 1955. Recent findings of the Federal Reserve Board on consumer intentions to buy bolster this view. We have a stabilized high level of new home construction which I believe will continue in 1956. I don't think we're going to have grievous problems in the availability of mortgage funds, but money may be a bit tighter next year. Raising of the Federal Reserve re-discount rate is already making some paper competitive with real estate mortgages, but we will still have a good volume of money seeking outlet in mortgages.

Homebuyers' Guides Help Prospects

Sales are often lost because prospects saw so many properties they couldn't remember much about any one. Chicago Realtors are using a printed form to help prospects record vital facts.

HOW many times have you shown a home to a prospective buyer, and watched him use a crumpled slip of paper or the back of an old envelope to write notes about the house? Without this information, many people who look at several homes before they buy, find it hard to remember all the important things about an individual home. Sometimes a buyer will make notes in a systematic way — but more often, they are an unorganized hodge-podge.

Realtors in the Greater Chicago area are providing their customers with an interesting new service — helpful "Homebuyer's Guides" for customers to use in writing their own notes about the homes they inspect. After the Realtor has made up a list of homes for inspection, he gives the prospect a pad of the Guides so that the prospect can fill out and keep his own check list of each home's physical characteristics, figures on taxes and maintenance costs, and notes about the home's location with respect to schools, shopping and transportation.

Some Realtors use the Guides as part of an integrated promotional service. Adler & Maxon of Highland Park, Illinois bind them into an inexpensive looseleaf folder, together with a map of the suburb. This service is particularly appreciated by a customer from out of town, who may want to send his family descriptions of the homes he has seen.

John Hall, District Sales Manager of Baird & Warner's Park Ridge, Illinois office, provides prospects with a supply of the Homebuyer's Guides, together with a map of Park Ridge and a lead pencil imprinted with the firm's name.

Customers are enthusiastic in their response to this extra service. And it's easy for them to get in

touch with the Realtor who first showed them the home, because each Guide is imprinted with the company's name, address and telephone number (taken directly from a business letterhead or card, in the same type style).

The Homebuyer's Guide was developed by Dr. Dik Warren Twedt, a psychologist, when he and his family were seeking a home in Wilmette, a Chicago suburb. In comparing homes they had seen, they had difficulty recalling important details about individual homes and locations. So he devised a check list system for rating the different features of a home on a single looseleaf sheet. It proved so useful to him and to friends who were also seeking homes, that Dr. Twedt copyrighted the system and is now offering it to Realtors as a promotional service to prospects.

Homebuyer's Guide has checklist for property facts; enables prospect to compare intelligently after seeing many houses.

Twedt's Homebuyer's Guide to a lifetime investment			
(Check One)		CONDITION Satisfactory	NOTES
Exterior	Front, Sides, Back, Other		
Roof	As-Built, New, Major, Minor, Damaged, Repair, Unknown		
Bathrooms	1, 1 1/2, 2, 3		
No. of Stories	One, Two, Three		
No. of Rooms	Bedrooms, Bathrooms, Dining Room, Kitchen, Living Room, Porch, Laundry, Attic, Basement, Garage, Other		
Floors	Hardwood, Other Wood, Linoleum, Carpet, Vinyl, Ceramic, Tile, Large, Average, Small, Other		
Kitchen	Standard, Large, Medium, Small, Modern, Old, Other		
Bathroom	Standard, Large, Medium, Small, Other		
Closets	Standard, Large, Medium, Small, Other		
Storage Spaces	Standard, Large, Medium, Small, Other		
Basement	Full, Partial, Crawl Space, None, Large, Average, Small, Other		
Attic	Standard, Large, Medium, Small, Other		
Heating	Gas, Oil, Coal, Other		
Electrical Wiring	Standard, Insulated, 200-watt, Other		
Garage	None, Attached, Detached, Other		
Lot Size	Standard, Large, Medium, Small, Other		
Landscaping	Standard, Poor, Fair, Good, Excellent		
Railroad	None, Standard, Poor, Fair, Good, Excellent		
Transportation	None, Standard, Poor, Fair, Good, Excellent		
LOCATION	DISTANCE TO NEAREST: Residential, Grade School, High School, Shopping Center, Hospital, Fire Department, Police Station, Post Office, Other	0	1/4
Price	\$	Brown-Payment \$	Total Mortgage of \$
Annual Taxes	\$	Annual Heating Costs \$	Monthly Payments \$
Price Includes	Carpetsing, Shower Booth, Insurance, Other		
Possession Date		Beth Sharpen	Shown By
Address			
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Baumann Cook REALTORS			

How Do *Lenders* View Prefabrication?



W. C. Rainford

To get the viewpoint of mortgage lenders on prefabrication, the JOURNAL asked the opinion of a mortgage banker whose company has done a great deal of business in prefabricated housing loans. He cites these advantages:

- Standardization of parts means uniform security
- Product has a known quality
- Dealer or builder has an established reputation and ability
- Construction financing is more easily arranged

BY W. C. RAINFORD

President
Mercantile Mortgage Company
Granite City, Illinois

MASS-PRODUCTION of automobiles is the outstanding example of American industrial accomplishment during the first half of the 20th century. The auto industry began the industrial revolution based upon mass-production. Even this would not have been accomplished without a financing method to support a mass market for such products.

The modern amortized mortgage loan has created such a market for homes. The insured or guaranteed mortgage has permitted large investors to operate on a national scale. The favorable terms of these loans have extended home ownership to millions of families. These two accomplishments alone have resulted in a significant advance in our living standards and in increased economic stability.

Since mass-production is so much a part of our industrial know-how, it is only logical that it should extend into home-building. Since 1940 the merchant-builder has gradually emerged. He has undertaken large-scale residential construction using mass-production to a greater or lesser extent. His techniques vary from partial site-fabrication to the complete factory-built house.

Our company finds the prefabricated house (regardless of how it is defined) is well-suited to mod-

ern mortgage financing. To distinguish between the varying degrees of prefabrication is unimportant since most of the advantages to the mortgage company are bound up in the mass-production idea.

Prefabrication realizes most of its economies from standardization of parts, which permits direct control of quality. Economies of prefabrication demand that the variety of floor plans be limited, but may provide for many architectural variations and, at the same time, offer the most in livability and efficiency to the greatest number of buyers.

This means the mortgage company has uniform security for the mortgage which is offered to the investor. The investor is offered a product of known quality which can be identified by a typical plan and elevation, to be constructed in most cases by a builder of known experience. In considering the purchase, the large investor has only the question of location to determine.

Prefabrication, by its approach to assembly line techniques, suggests construction in large projects, where street, land, and utility im-

provements can also be installed most economically. This means the investor can determine in advance the acceptability of the location.

This leads to another advantage for the mortgage company. Construction financing is more easily arranged and is more economical in such projects. There is less risk, since cost factors, including those for land improvements, are more easily controlled.

Since World War II, over 50% of our company's volume of new construction financing has been secured by prefabricated houses. We have found that most large investors will purchase mortgage loans secured by such projects. These investors occasionally set up certain physical or architectural requirements of their own. For the builder to meet such requirements it is necessary to negotiate with one producer, not with many individual builders.

In many cases the manufacturer has conferred with the investor and together they have worked out a more acceptable product at small increase in cost, if any. This can be done economically because the investor is dealing with one producer, while the results will be reflected over the producer's entire shipping area and in the product of all the builders.

Except for these over-all advantages, financing of prefabricated

houses is no different from financing of conventional types of construction. Mercantile Mortgage Company consults with the builder on his project plans. If the project involves development of a new subdivision, the site plan is presented to the appropriate FHA field office for approval or recommendation of FHA's land planning division. After the final plans are determined, the plat of the project is prepared identifying the type of house to go on each lot and the elevation to be used. Typical floor plans for each type of house are presented, usually identified by name, along with the various elevations. An application is then filed with the FHA field office for a builder-firm or conditional commitment. After the commitment is received, the project is submitted to the investor for his commitment to purchase the loans.

Arrangements for construction financing can then be completed. Wherever possible, construction financing is arranged with a local bank. If necessary, a participation

with a larger correspondent bank is arranged.

The bank is presented with a commitment from the eventual loan purchaser — a builder-firm commitment from the FHA to assure liquidation of his construction advance. Advances will be secured by a mortgage on all of the lots involved. The bank may also require a performance bond depending upon its experience with the builder or sponsor.

After the arrangements are completed, the producer or manufacturer of the prefabricated package may desire a letter of credit from the Mercantile Mortgage Company outlining the terms under which the package will be paid for. Frequently, provision is made that the check for progress be mailed direct to the manufacturer.

Construction advances are arranged to suit the particular builder's program. In most projects two advances are made, the first at the time the package is delivered. The advance may be for the cost of the

package only with the final advance made shortly thereafter to include the cost of erection, etc. The Mercantile Mortgage Company makes the necessary inspections for such advances. In projects where a letter of credit is given to the manufacturer, a copy of the bill of lading or delivery invoice is mailed to us by the manufacturer.

After completion and sale of each unit in the project, the purchaser's application is taken, and if acceptable, is submitted to the FHA for the firm commitment to the owner-occupant. After approval of the purchaser, arrangements are made for closing the loan. At the closing, the construction advances are liquidated and the balance paid the contractor.

In this type of mortgage financing the cost of putting the additional servicing on our books is negligible for the reasons previously outlined. Our experience in servicing the loans on such projects compares very favorably with the balance of our portfolio.

Are Prefabs Gaining an Edge Over Conventional Construction?

THE prefabricated house may soon hold the edge over its conventionally-built neighbor in the favor of mortgage investors, according to Robert H. Wilson, president of Percy Wilson Mortgage & Finance Corporation.

Wilson observes that conservative institutional leaders are continuing to accept prefab homes on an equal basis with conventionally-constructed dwellings, although they can now be as selective as they wish. Two years ago, when the supply of mortgage funds temporarily exceeded available investments, these investors began accepting prefabs they would have otherwise turned down, just to keep their portfolios filled. Today, they are taking them by choice.

Why the change in investor attitude? Wilson believes it is because we are moving into an age when prefabricated homes will be as much a part of our way of life as automobiles, refrigerators, ranges, and television sets.

"Construction costs are constantly rising to the point where a large percentage of the population cannot afford to build by conven-

tional methods," he points out. "Just think how few people would own automobiles if they were built by hand! Factory-made sections, panels and entire houses are America's way of letting more and more of its population improve its standard of living."

The cost differential between most factory-built, packaged homes and comparable conventional houses, Wilson says, is around 20%. Apart from the cost factor, home buyers and mortgage investors are discovering that the prefabricated home in many ways is a better house. "Good machines make few mistakes, and the precision and accuracy in a prefabricated home should make it better than one built step-by-step, piece-by-piece by human labor," Wilson stated.

The Chicago mortgage banker credits the recently improved position of prefabs in the mortgage market largely to keen and growing competition in the prefabricated industry, which has brought about more diversified styles and better developed houses, leading to greater public acceptance.

"The gap between the two types of construction has greatly narrowed, not only in the opinion of the investor, but also in that of the city council, appraiser and most important, the home owner," he stated. To close the gap completely and put the prefabricated house in the lead, Wilson said the industry would have to take at least five major steps:

1. Offer greater variety in the basic models, so that groups of homes would get away from the project appearance.
2. Develop exterior finishes, such as brick or metal, as a departure from the standard use of frame, shingles and plywood.
3. Promote use of larger floor area to allow for more storage.
4. Supervise dealers, so that they will do everything possible to improve the neighborhood by better land planning and greater variety in design.
5. Do a better public relations and selling job with city officials and councils.

While prefabricated housing is

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booming in the suburbs, particularly in such big developments as Meadowdale near Carpentersville, financed through the Wilson firm, Chicago's rigid building code inhibits this type of construction within the city limits.

The Chicago area is regarded as the biggest market for prefabrication in the Midwest, and the Midwest is far ahead of other sections of the country in applying prefab techniques. Nationally, the industry expects to account for 10% of single-family dwelling starts this year, or 100,000 houses, but in the midwestern states, percentages run upwards of 20%, according to Prefabricated Home Manufacturers' Institute.

From the point of view of the mortgage banker, Wilson states it is easier and more profitable to make construction loans for prefabricated houses than for conventionally-built ones. This is because of the speed in which the packaged home is completed. With the same working capital, a mortgage banker can finance many more prefabricated homes in the same period of time than he can finance conventionally-built homes.

Here, where building is a seasonal business, prefabrication makes it possible to get under roof and closed in a day, so that construction may continue through bad weather and the winter.

"Once construction is started, prefabrication does not allow for radical changes. Conventional construction owners often make enough changes during the construction period to necessitate FHA-VA change orders, VA valuation increases, and re-negotiation of the investor commitments, all of which cause the mortgage banker a great deal more work without additional compensation," he added.

Real Estate Standards

(Continued from page 30)

gon license law of 1919 and substituted an examination requirement. Education and examination are foremost in the preparation of a licensee in the proper and competent discharge of his duties as broker. No state can do less, in its protection of the public, than to insist that an individual invested with a license should demonstrate that he is duly qualified to hold such a license. In passing an examination requirement, there is also a psychological advantage to the licensee himself — he *earned* his certificate. The holder generally will view his li-

cense with a just pride and rightfully consider it the most valuable asset in his place of business.

Apprenticeship

Closely allied to the examination requirement as a prerequisite for a license is the important requirement of apprenticeship. Apprenticeship is not the same as an experience requirement. In the strict sense of the word, apprenticeship through holding a salesman's license, represents earned experience. But obviously, an individual may acquire experience without the necessity of a formal license as a salesman. In New York, for example, an applicant for a broker's license must have a salesman's license for one year or two years' experience. It is also true, unfortunately, that a person may serve a statutory apprenticeship period and acquire no experience whatsoever. Let us briefly examine the present day requirements relating to apprenticeship and experience.

Active Experience

California, in 1949, amended its license law so as to require at least two years' *active* experience as a *licensed* real estate salesman, or *equivalent* experience, or show that the applicant graduated from a four year college or university, specializing in real estate courses. Imagine the job the California Real Estate Commissioner's Advisory Board had in passing upon that "equivalent experience" provision when you observe that there were an aggregate number of all licensees in that state for 1949, in excess of 80,000.

Satisfy Commission

In New York, as has already been pointed out, the prerequisite is a salesman's license for one year or two years' experience; Oregon requires one year; Pennsylvania requires two years' apprenticeship as a licensed salesman. In New Jersey, as John N. Harkins, the Chief Examiner-Investigator points out, the apprenticeship requirement really means what it says. An applicant for a broker's license must satisfy the Commission that he is duly qualified by having served a *bona fide* apprenticeship. Searching inquiry is made as to how many hours the applicant has actually spent in the broker's office and how many deals he has participated in.

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The Farm is Closer Than You Think

By FRANK W. BAUMANN

President

National Institute of Farm Brokers

FREQUENTLY one hears the remark from real estate brokers, "I don't bother with farm listings. Very few farmers come into my office — my business is confined to the city."

If we as real estate brokers would stop to analyze every prospect that comes into our office, we would find that among the city folks, there are many prospective farm buyers. Deep down in the hearts of a vast majority of the American people there is the desire to some day own a piece of

isance to the neighbors or a problem to themselves.

Also, there are those who wish to retire from their present business or jobs, but feel they want something to keep them partly occupied. A case in point — we had a man operating a dry cleaning establishment for 30 years. He sold his business and home in the city, bought a small farm, has a flock of chickens, a large garden, and has the neighbor operate the balance of the farm on a share basis. No more definite hours for

ments; and after thoroughly checking, list at a price that is fair and reasonable in the community in which it is located.

The second step, is to show it properly. It is better to call the attention of the buyer to some hidden defect, than to have him discover it later. We must have the buyer's confidence, especially if he is not familiar with farm land; insist that the prospective buyer goes over the entire farm carefully, and be ready to advise as to kind of crops for which the soil of each particular farm is suited.

The third step is closing a deal conscientiously. At times a farm buyer, in his eagerness to own a farm, will over-estimate his ability to pay. We as brokers should at all times see to it, where financing is necessary, that the required payments are such that they do not become a burden on the buyer. As brokers, we have a definite duty to perform for the seller — he is the one paying us our commission, and we should use our best efforts to do a job for him. But we also have a duty to perform for the buyer — he will be our new neighbor, and the buyer of today will be the seller of tomorrow. If, in our first deal with him, we show him that it is our aim to be just and fair with all parties interested, he will certainly be back if and when he decides to sell.

We as farm brokers are dealing in the best commodity on the market. Man may build more cities and factories, and manufacture more automobiles and the like, but man will never make more land. God created all there ever will be in the beginning, and that in my opinion, creates the desire in the vast majority of Americans to own land. If we as brokers establish a reputation in honest and fair dealing, we will find prospective farm buyers wherever we find American people.

If you ignore farm listings, you're passing up a lucrative source of business. Even in the cities there are prospects for farms and suburban acreages, "for deep in the heart of everyone is a desire to own a piece of land," says our author. Like other specialized types of property, you must know how to list a farm properly.

land. That has been a tradition in America ever since our forefathers first set foot on American soil. Who are the prospects for farms in the cities? There are several classes of prospects to draw from.

First, there are those who have accumulated money to invest, and if approached properly, are not too hard to convince that money invested in good American soil is a safe and sound investment. It is true that prices of land have varied, but the fact remains, that our soil is the basis and foundation of all our wealth. Without it all else will fail.

Another class of prospects are those who would love to live away from crowded city conditions, to raise their families, where pets for the children and riding horses for Mom and Dad can be kept without worrying about their being a nu-

him — he works when he feels like it, and his cost of living is far less than it would be in the city.

The above are just a few of the prospective farm buyers that come into a real estate broker's office. It is up to us as brokers to show these prospects the advantages of living in the country, and investing in farm land. We should first of all, educate ourselves so that we are qualified to advise those not familiar with farms and farm values.

In my opinion, there are three important steps in handling farm property. *The first*, is to list it right, check the entire farm thoroughly, determine the exact boundary lines, check carefully for type of soil, noxious weeds, fertility, erosion or drainage problems. Make a thorough inspection of buildings, well or other water supply, fences and any other improvement.

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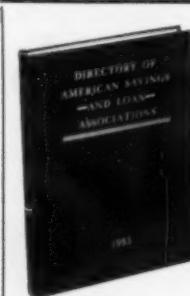
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S. Merle Heasley is a senior active partner of the 31-year-old Orlando firm of Mc-Nutt-Heasley, Realtors. The company provides service in real estate sales, mortgage loans, development and insurance and has figured prominently in the building of its community. Mr. Heasley is a past president of the Florida Association of Realtors and the Orlando Board of Realtors as well as a past director of NAREB. Unusually active in civic affairs, Mr. Heasley has served as president of the Orlando Civitan Club. He has served two terms on the city council, and has headed up the local community chest for two years.



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ROGER M. KYES, ex-Department of Defense official now back at his General Motors post, predicts that 60% of American homes will be air conditioned by 1965, with similar spectacular gains in the home appliance field. Though fewer than five out of 100 homes now have air conditioning, Kyes points out, "by 1965 I expect 60 out of every 100 to be so equipped. . . In Canada, mortgage loans of all types approved by lending institutions, including the banks, amounted to \$546.3 million in the first half of 1955, 41% more than in the same period of 1954, according to the Central Mortgage and Housing Corporation. . . A Chamber of Commerce study of nine counties shows that an increase of 100 factory workers means an average of 296 more people, 112 more households, 51 more school children, \$590,000 more personal income per year, \$270,000 more bank deposits, 107 more passenger cars registered, 174 more workers employed, four more retail establishments, and \$360,000 more retail sales per year. The 100 increase in manufacturing employees meant 25 more construction workers and four more people employed in real estate, insurance and finance. . . Long Island, New York builders Lionel Sokolov and Julian Levy are offering a "hi-fi" installation as standard equipment in their recently-opened 110-house project. Speakers are directed to both the

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living and recreational areas of the homes, which are split levels in the \$18,000 price range. . . Arthur Rubloff of Chicago, heading one of the country's top real estate companies, has organized a group of investors interested in the rejuvenation of slum areas and older neighborhood areas, with the idea of preserving a sound tax base in Chicago. The first completed project is an \$800,000, 40-unit south side town house development, with all 40 units already sold. . . Clarksville, Tennessee, first city in the nation to have an approved workable program under the Housing Act of 1954, is the second city in the country to get Urban Renewal Administration approval of a loan and grant contract under the 1954 act. Clarksville was awarded a grant of \$351,184 and a loan of \$1.2 million to help clear for redevelopment a 60-acre tract in the downtown area. . . Henry G. Waltemade, NAREB president, takes issue with those who declare that the mass exodus of residents to the suburbs means the city is "dead or dying." Waltemade says "the growth of the suburbs — the city's decentralization, if you will — should not be the symbol of despair, but rather a challenge to solve its problems of congested traffic, inadequate mass transportation, poor parking facilities, rundown office and business buildings, undue smoke and noise, and other signs of an aging community." He goes on to point out that "the challenge has been met by many cities with courage, with vision, with planning, with budgeting, with unified action by all citizens of good will." . . . John Jay Hopkins, president and chairman of the board of General Dynamic Corporation, is the Society of Industrial Realtors' industrialist of the year. Hopkins is described as "a foremost exponent of the peaceful use of atomic energy." General Matthew B. Ridgway made the announcement for SIR.

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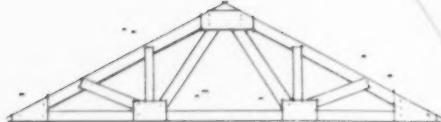
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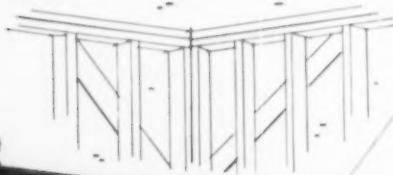
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